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2008 JUN 16 P 2:21

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June 16, 2008

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Arizona Corporation Commission

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JUN 16 2008

Mr. Paul Linker, Vice President
Ehrenberg Improvement Association
50078 Ehrenberg Parker Highway, Suite 110
Ehrenberg, Arizona 85334

DOCKETED BY	<i>mm</i>
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RE: EHRENBURG IMPROVEMENT ASSOCIATION – APPLICATION FOR A RATE INCREASE, DOCKET NO. W-02273A-08-0251

LETTER OF DEFICIENCY

Dear Mr. Linker:

In reference to your rate application received on May 15, 2008, this letter (per section R14-2-103.B.7 of the Arizona Administrative Code) is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the company corrects the deficiencies and Docket Control receives an original and fifteen copies of the corrected pages.

You have 15 calendar days, or until July 1, 2008, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

Mr. Paul Linker
June 16, 2008
Page 2

The Staff person assigned to your application is Darak R. Eaddy. He can be reached at (602) 542-0855, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,



Elijah Abinah
Assistant Director / Acting Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

EOA:DRE:tdp

CC: Docket Control Center (fifteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

**Ehrenberg Improvement Association
Rate Application
Docket No. W-02273A-08-0251
Test Year Ended December 31, 2007
List of Deficiencies**

The specific items that have caused a finding of deficiency are as follows:

1. The bill counts do not produce the revenue of \$ 262,060 as indicated on page 19 of the application. Please reconcile and/or correct.
2. The number of meters served on page 6 does not match the number of customer meters on page 17 of the application package; please reconcile.
3. On the Utility Plant in Service schedule on page 15, the Company incorrectly listed the depreciation rate and not the accumulated depreciation amount. Please correct.
4. Please provide a breakdown by name, position, salary, and duties for Account 601 Salaries and Wages Expense.
5. Please provide invoices for Account 615 Purchased Power during the test year.
6. Please provide invoices for Account 620 Repairs and Maintenance in excess of \$150 incurred during the test year.
7. Please provide invoices for Account 630 Outside Services in excess of \$150 incurred during the test year.
8. Please provide invoices for Account 635 Water Testing in excess of \$150 incurred during the test year.
9. Please provide statements from the county for Account 408.11 Property Tax expenses incurred during the test year.
10. With regard to Customer Meters listed on page 17 of the application, please verify if there are Master Meters, and if so please specify size, quantity and description (for example, Mobil Home Park-10 spaces, etc.).
11. From the water use data (page 18), the annual gallons sold (117,358,259) and annual gallons pumped (150,071,000) indicate a water loss of 21.8%.
 - a. Please provide an explanation for such a high water loss.
 - b. Does the Company measure and record water used for the backwash of the treatment equipment?

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12. With regard to water testing, in order for Staff to estimate annual water testing cost, please provide the following:
- a. Water testing cost for Lead & Copper (based on 10 samples per 3 years).
 - b. Per Arizona Department of Environmental Quality ("ADEQ") this water system is required to monitor for Maximum Residual Disinfection Level ("MRDL") two times a month. What is the water testing cost per each test for MRDL?
 - c. Please provide a copy of Monitoring Assistance Program ("MAP") invoice for 2007 Calendar Year from ADEQ.

In addition to the above items, the below items are not sufficiency issues. However these are issues and/or questions that will need to be addressed before the final processing of the application. Staff is including these to give the Company additional time and flexibility in addressing these issues.

- Please provide a copy of the Company's general ledger for the test year. The General Ledger should be by account, by month, for the 2007 test year. This may be provided in an electronic medium using a Microsoft Excel format. Please include any codes and descriptions that will clearly explain accounts and entries in the general ledger.
- Please provide a copy of all the work papers created/utilized to develop the application, and any updates or revisions throughout the rate case process.
- Please describe all abnormal or non-recurring events during the test year that are known to have materially impacted revenues, expenses or rate base.
- Please provide an explanation along with supporting documentation to justify the proposed increase for the following service charges:
 - a. Establishment
 - b. Establishment (after hours)
 - c. Reconnection (delinquent)
 - d. Reconnection (delinquent) after hours
 - e. Meter Test
 - f. NSF Check
 - g. Deferred Payment
 - h. Meter Re-read
 - i. Late Fee
- Please provide the number of times during the test year that the Company billed customers for the service charges listed above.

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- Due to some of the invoices being difficult to read, could the Company please provide a summary sheet of the individual transactions by account for additions and retirements. For example, for the Meters account in 2003 there appears to be five transactions for the addition listed. A summary of the Meters account for 2003 would include all five transactions by date and amount.
- Please provide a detailed summary of the Contribution in Aid of Construction ("CIAC") account since the last rate case (if available) or since the Water Department was awarded to the Ehrenberg Improvement Association. The summary should include the amount of each contribution, the plant-in-service accounts to which each contribution is applied, the amortization rate applied to each contribution, the accumulated amortization of CIAC at test-year end, and how the Company determined the CIAC amortization applied.
- Please provide a detailed summary of the Advances in Aid of Construction ("Advances") account since the last rate case (if available) or since the Water Department was awarded to the Ehrenberg Improvement Association. The summary should include the amount of each advance, the plant-in-service accounts to which each advance is applied, and total refunds annually for each advance.
- Please provide the annual expense for Account 618 Chemicals for the last five years.
- Please provide the annual expense for Account 630 Outside Services for the last five years.
- Please provide a summary and/or invoices for the account 408 Taxes Other than Income for the test year.
- Please provide a summary as to what account revenue from the Company's various service charges are being recorded.
- Please provide a summary of the number of customers by meter size and account class (residential, commercial).
- On the Current and Proposed Service Charges listed on page 11, the Company failed to list the tariff amounts for 2, 3, 4, 6, and 8-inch Compound service line and meter installation charges. Is it the Company's desire to have the compound rates removed from its tariff?